

**ATARI®**

Atari Corporation  
1196 Borregas Avenue  
Sunnyvale, CA 94089-1302



**ATARI®**  
CORPORATION

1990 FIRST QUARTER  
REPORT

## President's Message

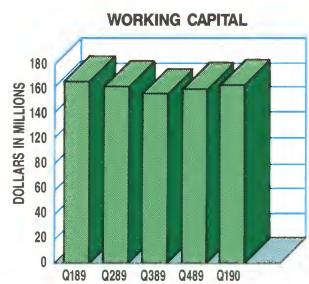
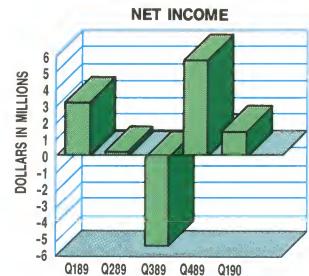
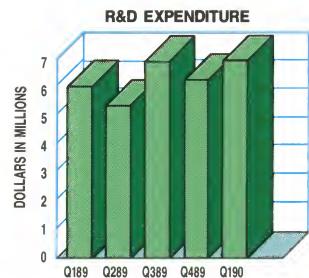
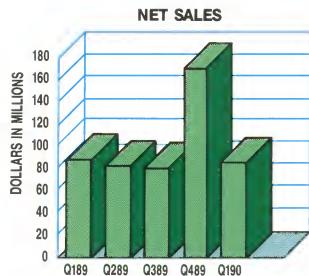
Net income was \$1.5 million or \$0.03 per share on sales of \$85.5 million for the quarter ended March 31, 1990. This compares with net income of \$3.3 million or \$0.06 per share on sales of \$88.8 million for the first quarter ended March 31, 1989.

The results for the quarter reflect continued revenue growth for the Atari ST™ and Atari PC MS-DOS® compatible product line, and the new Lynx™ handheld color video game machine. The decline in revenue from last year is attributable to the impact of intense competition in the Company's traditional 2600® and 7800™ video game market in the United States.

Results for the period reflect continued strength in computer sales combined with continued weakness in our traditional 2600 and 7800™ video game business. Late in the first quarter, after successful test marketing of Lynx, our new handheld color video game, we began distributing it throughout the United States, and on a worldwide basis. In support of sales of Portfolio™, our new handheld MS-DOS command compatible computer, three new software cards were introduced in the quarter, including user friendly file-manager, finance, and utility programs. Also, a new marketing awareness campaign is being launched in the United States to introduce the public to the unique capabilities of this very compact powerful machine.



Sam Tramiel, President



**ATARI CORPORATION**  
**Consolidated Balance Sheets**  
**(IN THOUSANDS)**  
**(Unaudited)**

	<u>March 31, '90</u>	<u>March 31, '89</u>		<u>March 31, '90</u>	<u>March 31, '89</u>
<b>ASSETS</b>				<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES:</b>	
Cash and equivalents	\$ 45,261	\$ 55,389		Notes payable	\$ 21,591
Trade receivables (less allowance: 1990, \$3,134; 1989, \$3,125)	71,305	71,820		Accounts payable	62,623
Inventories	147,704	139,767		Net current liabilities of discontinued operations	21,653
Prepaid expenses and supplies	5,196	3,678		Income tax payable	(279)
Other current tax assets	10,322	13,412		Accrued liabilities	32,694
Total current assets	<u>279,788</u>	<u>284,066</u>		Total current liabilities	<u>138,282</u>
<b>PROPERTY, net</b>	13,457	9,893		<b>LONG-TERM OBLIGATIONS</b>	77,763
<b>OTHER ASSETS</b>	<u>9,790</u>	<u>5,852</u>		<b>SHAREHOLDER'S EQUITY:</b>	<u>75,142</u>
<b>TOTAL</b>	<u><u>\$ 303,035</u></u>	<u><u>\$ 299,811</u></u>		Common stock, \$.01 par value—authorized, 100,000,000 shares; (outstanding: 1990, 57,713,180; 1989, 57,697,663)	<u>577</u>
				Additional paid-in capital	<u>577</u>
				Notes receivable from sale of common stock	<u>(765)</u>
				Accumulated deficit	<u>(1,140)</u>
				Accumulated translation adjustments	<u>(54,380)</u>
				Total shareholders' equity	<u>(56,657)</u>
				<b>TOTAL</b>	<u>87,990</u>
					<u>432</u>
					<u><u>\$ 304,035</u></u>
					<u><u>\$ 299,811</u></u>

**ATARI CORPORATION**  
**Condensed Consolidated Statements of Operations**  
 (IN THOUSANDS, EXCEPT PER SHARE DATA)  
 (Unaudited)

	Quarter Ended	
	<u>March 31, '90</u>	<u>March 31, '89</u>
<b>NET SALES:</b>	<u><u>\$ 85,547</u></u>	<u><u>\$ 88,776</u></u>
Income before income taxes	1,377	3,411
Provision (credit) for income taxes	<u>(171)</u>	<u>123</u>
Income from continuing operations	1,548	3,288
Discontinued operations	—	—
Net income	<u><u>\$ 1,548</u></u>	<u><u>\$ 3,288</u></u>
 <b>EARNINGS PER COMMON AND EQUIVALENT SHARE:</b>		
Income from continuing operations	<u><u>\$ 0.03</u></u>	<u><u>\$ 0.06</u></u>
Net income	<u><u>\$ 0.03</u></u>	<u><u>\$ 0.06</u></u>
Number of shares used in the computation	<u><u>57,987</u></u>	<u><u>57,781</u></u>

This report was created on an Atari desktop publishing system (Atari DeskSet II™ software using the MEGA4™, MEGAFILE 44™, and SLM804™), then typeset on an AGFA Compugraphic MCS™ 8400 using G.O. Graphics' Typesetter Driver Option™ card interface.

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